



# DEPARTMENT OF THE NAVY

COMMANDER  
NAVY REGION HAWAII  
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PEARL HARBOR, HAWAII 96860-4884

IN REPLY REFER TO:

COMNAVREGHIINST 5200.8  
N00B:LH  
MAR 16 2001

## COMNAVREG HAWAII INSTRUCTION 5200.8

Subj: NAVY REGION HAWAII STRATEGIC SOURCING PROGRAM (SSP)

Ref: (a) CINCPACFLT ltr 5200 Ser N46/3276 of 22 Dec 1999

Encl: (1) Procedures for Strategic Sourcing Program  
Implementation

1. Purpose. To implement reference (a) and to disseminate Commander, Navy Region Hawaii, policies and procedures governing its SSP. Annual Navy Region Hawaii Strategic Sourcing Plans and updates will be issued as Commander, Navy Region Hawaii Notices.

### 2. Background

a. The Department of Navy (DoN) is constrained by declining budgets, a continued high tempo of operations, and a need to make large investments in modernization and recapitalization. Consistent with the Vice President's National Performance Review and the results of the Quadrennial Defense Review, the Navy continues to pursue innovative initiatives to reduce infrastructure costs.

b. The Navy's Program Objectives Memorandum (POM) 1998 identified competitive sourcing as a key tool to help reduce the cost of the shore infrastructure and generate savings to reinvest in recapitalization and modernization. POM 2000 projected savings to be \$5 billion between FY00 and FY05 with steady state savings of \$1.2 billion beginning in FY03.

c. The manpower and funding targets established by OPNAV were allocated to major claimants. Commander in Chief, U. S. Pacific Fleet (CINCPACFLT) has, in turn, passed specific budget "wedges" to each of its Regions. The current targeted savings for Navy Region Hawaii is \$9 million by FY03 (30 September 2002) and full-time equivalent (FTE) personnel reductions of 170 by FY04 (30 September 2003).

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### 3. Discussion

a. As the Navy began to execute the Competitive Sourcing Program using the process outlined in Office of Management and Budget (OMB) Circular A-76, it became clear that competitive sourcing alone would not achieve the necessary savings, nor would it result in the most efficient Navy infrastructure. The business units that are commercial in nature and appropriate for competition are often integrated with inherently governmental functions and cannot easily be competed.

b. The Navy determined that a broader, systems engineering approach would be pursued to achieve maximum benefit and prevent sub-optimization. This approach, known as Strategic Sourcing (SS), is consistent with the reinvention process described by OMB in the A-76 process. The basic building blocks for SS in Navy Region Hawaii are Commercial Activity (CA) studies and Functionality Assessments (FAs).

(1) The SS processes provide structured, consistent methodologies to achieve the manpower and dollar savings required to meet continuing resource constraints. Since the entire Naval shore establishment will be using the same tools, the resulting functional models should become more integrated across the regions and claimancies.

(2) To assist in this effort, OPNAV N46 is providing top-level guidance in the form of Integrated Process Teams (IPTs) to create common metrics and measures which will enhance our ability to project costs and create viable, defensible budgets. These tools will become available incrementally to help determine current costs of doing business and will eventually provide scenario planning opportunities to develop better/more efficient ways to execute each function.

(3) An inherent effect of performing the studies and assessments will be the opportunity to completely revamp business processes, enabling Program and Functional Managers (PMs/FMs) to design and implement the most effective and efficient processes and organizations where appropriate. OPNAV has made funding available via claimants to procure expert consultant assistance in achieving these goals.

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c. An additional, significant and critical outcome of the SS process will be the identification of the Region's minimum essential requirements (MERs) for budgeting purposes.

(1) Initially, these MERs will reflect each regional function's most critical products and services, defined in terms of manpower, equipment, contracts and any other resources required to carry out existing ("as is") levels of service. The critical products and services will be defined by Functional Managers, approved by Program Managers and vetted via the Regional Requirements Office (RRO), a division in the Regional Business Office (RBO)).

(2) As the SS process unfolds, the MERs will change to reflect the "to be" model for each function, supporting the functions' more efficient and effective processes.

(3) Metrics will be defined for both initial ("as-is") and endstate ("to-be") models, which will, in turn, be translated into budget requirements as appropriate.

#### 4. Policy

a. Navy Region Hawaii policy is to achieve the required savings, promote implementation of best business practices in the Region, and, when applicable, document savings and efficiencies already garnered during Installation Claimant Consolidation and regionalization initiatives implemented over the past several years.

b. Navy Region Hawaii will conduct CA (or A-76) studies and FAs, as specified in the SS Plan, on all regional functions and associated labor resources (military and civilian) within the Region, without exception. Notional FTE/labor savings of 30% for CA and 20% for FA will be targeted in each functional area and validated by the appropriate study.

#### 5. Responsibilities

a. Regional Business Office (RBO): The RBO has oversight responsibility for the SS program and is the primary point of contact on SS matters for CINCPACFLT. RBO actions will comply

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with the procedures outlined in enclosure (1). The RBO will execute the SSP through its divisional components, the Strategic Sourcing and Planning Office (SSPO) and the Regional Requirements Office (RRO).

(1) Strategic Sourcing and Planning Office (SSPO)

(a) SS Plan: The SSPO/RBO will develop a SS Plan to outline CA studies and FAs necessary to achieve target savings. The plan will be developed in close collaboration with PMs/FMs and forwarded to Commander, Navy Region Hawaii, for approval. The SSPO will promulgate the SS Plan and subsequent updates as Commander, Navy Region Hawaii Notices.

(b) CA/FA Charters: A vital supporting element of each CA study or FA is a signed Charter that lists the expected outcome, success criteria, strategic goals and objectives to be met, impacts, schedules, and internal/external resources required. The SSPO/RBO will work with PMs/FMs to develop a Charter for each regional function being studied. As they are developed and signed, the Charters will become annexes to the SS Plan.

(c) Consultation and Assistance: The SSPO/RBO has been resourced by OPNAV to provide contractor support in the execution of CA studies and FAs. The SSPO/RBO will provide both organic and contractor assistance to all regional organizations as needed to implement the SS Plan.

(d) Reporting: The SSPO/RBO is responsible for providing periodic updates and status of ongoing studies in the Region to CINCPACFLT in accordance with prescribed formats; this information is entered in a Navy-wide database and monitored by OPNAV.

(2) Regional Requirements Office (RRO). The RRO will facilitate the development, review and endorsement of MERs for critical products and services for each function within Navy Region Hawaii.

(a) MERs will be developed for both "as is" and "to be" models of each function. In terms of timing, development of initial ("as is") MERs will be addressed as a priority issue for all functions. The remainder of the SS process, including

endstate ("to be") MERs will be carried out for all functions in accordance with POA&Ms contained in individual FA Action Plans.

(b) When completed, the RRO/RBO will forward MERs to the Region's Guiding Coalition Council (GCC) for review and approval.

b. Program Managers and Functional Managers: PMs and FMs are responsible for ensuring that initial MERs are developed for each function under their cognizance, and that CA/FA studies are performed on their functions as appropriate.

(1) PMs and FMs will work with the RRO to expeditiously develop initial MERs for immediate budgeting purposes. For CA and FA studies, they will make appropriate recommendations on study scope, identify external resource requirements, and comply with the procedures in enclosure (1).

(2) PMs will execute a CA/FA Charter for each function under their cognizance, report progress of studies, and for FAs, report results to the GCC for review. Results of CA studies will be reported to the GCC and Commander, Navy Region, Hawaii, for information since outcomes of CA studies are determined by a structured process and are not negotiable.

c. Guiding Coalition Council (GCC): The GCC will review and approve initial MERs. The Council will review the results of FAs based upon expected outcomes and success criteria developed for the studies and recommend approval to the Commander, Navy Region Hawaii, as appropriate.

d. Commander, Navy Region Hawaii: The Commander will approve the SS Plan, review progress reports, and approve FA results. For CA studies, the Commander will review and approve the Management Plan.

## 6. Implementation

a. Implementation of CA study results will be in accordance with approved plans of action and milestones (POA&Ms), and with regulatory and statutory requirements in enclosure (1).

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b. Implementation of FA results will be in accordance with approved POA&Ms, but in all cases, not later than 30 September 2002.

R. T. CONWAY, JR.

**Distribution:**

COMNAVBASEPEARLINST 5605.1F

Case 1, List II

FISC Pearl

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**Stocked:**

Commander, Navy Region Hawaii

517 Russell Ave, Suite 110

Pearl Harbor, HI 96860

## PROCEDURES FOR STRATEGIC SOURCING PROGRAM IMPLEMENTATION

### Attachments:

- A. Strategic Sourcing Decision Process
- B. Commercial Activity Charter Template
- C. Functionality Assessment/Functional Management Review Charter Template
- D. Commercial Activity Regulations and Guidelines
- E. Functionality Assessment Guidelines

1. Identify the appropriate Strategic Sourcing (SS) tool to be utilized based upon application of the SS Process (Attachment A).

2. SS begins by reviewing the organization's functions to determine how related functions should best be organized or eliminated to achieve the maximum benefit. This review highlights those tasks or functions that show potential for execution in a manner different than currently conducted.

3. After the functional review, decisions can be made as to which review or study tools can be employed to achieve the maximum benefit. The initial step is key to the SS process. The organization's functions must be properly defined to optimize the use of tools. The objective is to maintain or improve the level of performance or service, at a reduced cost

4. As depicted in Attachment A, this process is continual and can result in various outcomes depending on how functions are defined. Navy Region Hawaii's SS Plan will take a two-tiered approach:

a. The OMB Circular A-76 competition process is the primary SS tool focused on functions that are commercial in nature (the process is more commonly referred to as a "CA study"). The process is designed to balance the interests of the affected parties (both the Government and commercial activities). It is the most rigorous in structure and time constraints. Statutory requirements, e.g., announcement to Congress, mandated reports, timelines, etc., outlined in OPNAVINST 4860.7C (available via the internet at (<http://neds.nebt.mil/4860.htm>)) are clearly specified.

Enclosure (1)

b. The Functionality Assessment (FA) process is utilized to reengineer and/or restructure process(es), functions(s), or the entire organization. It focuses on inherently governmental functions or those commercial and/or integrated commercial/inherently governmental functions not appropriate for CA study. FA is the primary alternative to CA for process review. It is less rigorous than CA studies, but still structured. OPNAV is clear in stating that FA does not replace A-76 and its focus on fair competitions, but is a valid basic step in the process.

(1) A "full" FA requires the completion of all eight steps in the process, as delineated in the Navy Region Hawaii Regional Functionality Assessment Guidebook and other applicable guidelines (Attachment E).

(2) A less structured format for FAs, known locally as Functional Management Reviews (FMRs), will be approved by the Regional Business Office for functions which do not warrant the extensive analyses and reviews required by CA studies and FAs. In addition, FMRs may be approved when it can be shown that significant "FA-like" work has already been completed.

5. Develop a CA or FA/FMR Charter (attachments B or C) to define the purpose of the study, expected outcome, action summary, success criteria, strategic goals and objectives to be met, internal and external impacts, and to identify required internal and external resources.

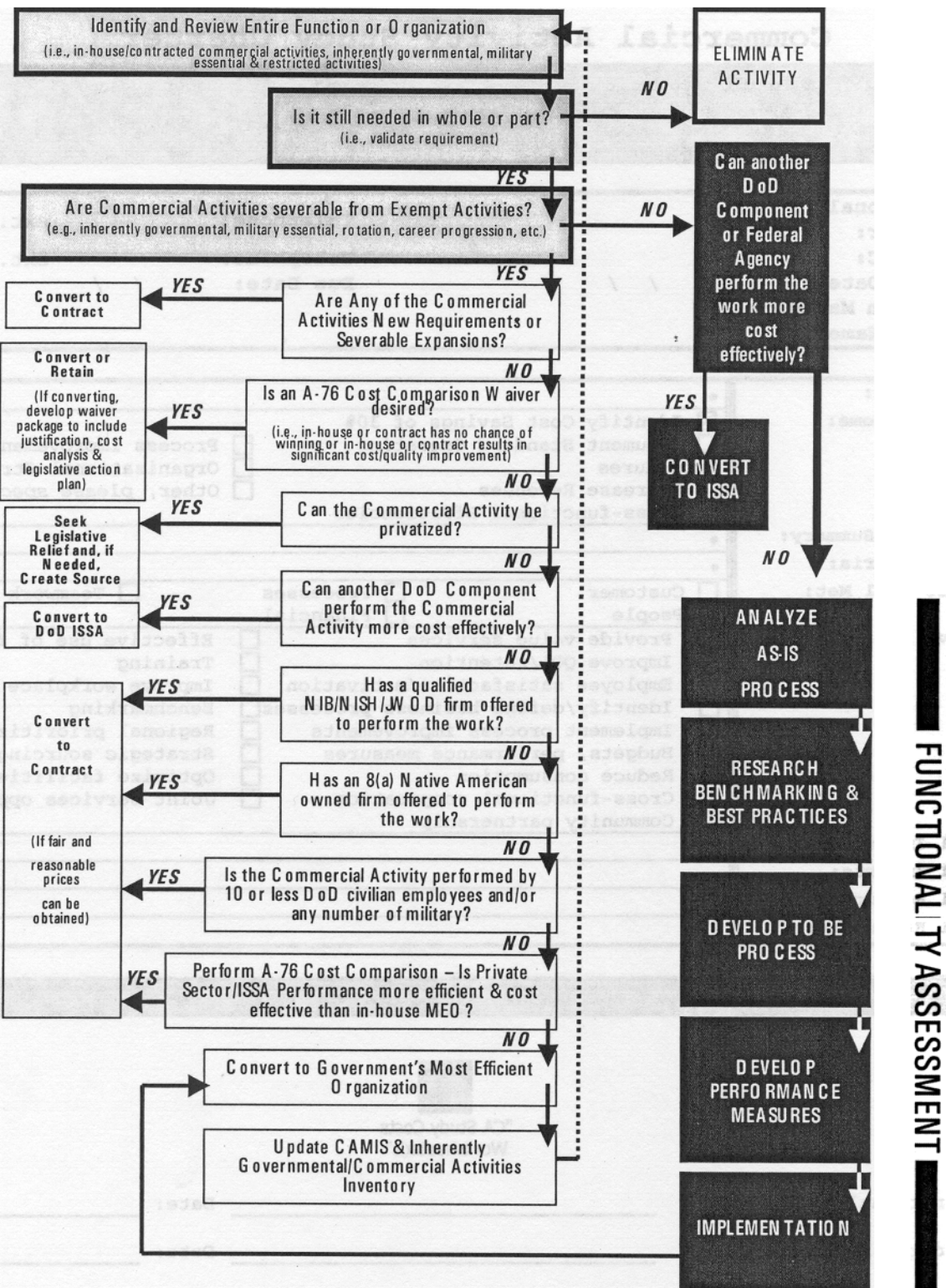
6. Conduct CA studies in accordance with directives and guidelines described in Attachment D.

7. Conduct FAs in accordance with the criteria and guidelines described in Attachment E.

8. Conduct FMRs in accordance with selected portions of the criteria and guidelines in Attachment E, as appropriate.



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## Strategic Sourcing Decision Process

## Commercial Activity Study Charter

### Study Request (To be completed by the Program/Functional Manager and RBO POC)

Use the Tab key to navigate from one cell to the next. To change a pre-filled cell, use the mouse to select a different response from the drop-down menu. Please see page two for field title definitions.

<b>Functional Manager:</b>		<b>Telephone:</b>	-	ext.
<b>RBO POC:</b>		<b>Telephone:</b>	-	ext.
<b>Start Date:</b>	/ /	<b>Due Date:</b>	/ /	
<b>Program Manager:</b>				
<b>Study Name:</b>				

<b>Study Purpose:</b>	<input checked="" type="checkbox"/> Identify Cost Savings of 30% <input type="checkbox"/> Document Standard Operating Procedures <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Cross-functional Efficiencies		<input type="checkbox"/> Process Improvement <input type="checkbox"/> Organizational Streamlining <input type="checkbox"/> Other, please specify...	
<b>Expected Outcome:</b>				
<b>Study Action Summary:</b>				
<b>Success Criteria:</b>				
<b>Strategic Goal Met:</b>	<input type="checkbox"/> Customer <input type="checkbox"/> People	<input type="checkbox"/> Processes <input type="checkbox"/> Financial	<input type="checkbox"/> Teamwork	
<b>Objective Met:</b>	<input type="checkbox"/> Provide value services <input type="checkbox"/> Improve QOL/retention <input type="checkbox"/> Employee satisfaction/motivation <input type="checkbox"/> Identify/define business processes <input type="checkbox"/> Implement process improvements <input type="checkbox"/> Budgets, performance measures <input type="checkbox"/> Reduce consumption <input type="checkbox"/> Cross-functional cooperation <input type="checkbox"/> Community partnership			
<b>Internal Impacts:</b>	<input type="checkbox"/> Effective use of facilities <input type="checkbox"/> Training <input type="checkbox"/> Improve workplace environment <input type="checkbox"/> Benchmarking <input type="checkbox"/> Regional prioritization <input type="checkbox"/> Strategic sourcing initiative <input type="checkbox"/> Optimize facilities footprint <input type="checkbox"/> Joint services opportunity			
<b>External Impacts:</b>				
<b>Internal Resources:</b>				
<b>External Resources:</b>				

### Tracking of Costs



"CA Study Costs  
Worksheet.xls"

<b>Functional Manager:</b>	_____	<b>Date:</b>	_____
<b>Program Manager:</b>	_____	<b>Date:</b>	_____
<b>R.B.O. POC:</b>	_____	<b>Date:</b>	_____
<b>Business Manager:</b>	_____	<b>Date:</b>	_____

**Study Purpose** Complete study of \_\_\_\_\_ as announced in CNO message \_\_\_\_\_

**Expected Outcome** Choose all appropriate outcomes. Cost savings are targeted at 30%.

**Study Action Summary** High level statement of actions to be taken and items to be achieved to meet the success criteria and complete the FA study. This must include an indication of a Plan of Action and Milestones being developed and maintained.

**Success Criteria** How will it be known that the study is complete and what products define a successful completion. Completion of study within allowed timeframes (18 months single function; 36 months multi-function). Identify targeted cost savings of 30%.

**Internal Impacts** Effects of the study or expected changes to the internal functional organization, both positive and negative.

**External Impacts** Effects to organizations or task areas outside of the primary function which are one of the following:

- Direct supplier of information or services
- Direct recipient of information services
- Partner to the organization in one or more business processes
- Key supporter or funding source of the functional organization

Any area or organization affected by a change in business practices by the function.

**Internal Resources** Resources required which are internal to the functional organization being studied. All resources to be used should be identified.

**External Resources** Resources required which are external to the functional organization being studied. These resources could be internal or external to the Navy organization. All resources to be used should be identified along with acquisition responsibility.

**Tracking of Costs** Post-study reports to CNO require costs to conduct the cost comparison. Costs will be tracked on the imbedded spreadsheet and submitted monthly to the Regional Business Office (RBO) Point of Contact (POC) by the 10<sup>th</sup> day of the following month.

## Functionality Assessment Charter Functional Management Review Charter

### Study Request (To be completed by the Program/Functional Manager and Analyst)

Use the Tab key to navigate from one cell to the next. To change a pre-filled cell, use the mouse to select a different response from the drop-down menu. Please see page two for field title definitions.

<b>Functional Manager:</b> <b>RBO Lead Analyst:</b> <b>CMFO Analyst(s):</b> <b>Start Date:</b> <b>Program Manager:</b> <b>Study Name:</b>	<b>Telephone:</b> -                      ext. <b>Telephone:</b> -                      ext. <b>Telephone:</b> <b>Due Date:</b> /                      / <b>Study Type:</b> F.A. Study
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**Study Purpose:**  
**Expected Outcome:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Identify Cost Savings of 20%<br><input type="checkbox"/> Document Standard Operating Procedures<br><input type="checkbox"/> Increase Revenues<br><input type="checkbox"/> Cross-functional Efficiencies | <input type="checkbox"/> Process Improvement<br><input type="checkbox"/> Organizational Streamlining<br><input type="checkbox"/> Other, please specify.. |
|---|--|

**Study Action Summary:**  
**Success Criteria:**

**Strategic Goal To Be Met:**

**Objective To Be Met:**

- |  |   |                                   |
|--|---|-----------------------------------|
| <input type="checkbox"/> Customer<br><input type="checkbox"/> People<br><input type="checkbox"/> Provide value services<br><input type="checkbox"/> Improve QOL/retention<br><input type="checkbox"/> Employee satisfaction/motivation<br><input type="checkbox"/> Identify/define business processes<br><input type="checkbox"/> Implement process improvements<br><input type="checkbox"/> Budgets, performance measures<br><input type="checkbox"/> Reduce consumption<br><input type="checkbox"/> Cross-functional cooperation<br><input type="checkbox"/> Community partnership | <input type="checkbox"/> Processes<br><input type="checkbox"/> Financial<br><input type="checkbox"/> Effective use of facilities<br><input type="checkbox"/> Training<br><input type="checkbox"/> Improve workplace environment<br><input type="checkbox"/> Benchmarking<br><input type="checkbox"/> Regional prioritization<br><input type="checkbox"/> Strategic sourcing initiative<br><input type="checkbox"/> Optimize facilities footprint<br><input type="checkbox"/> Joint services opportunity | <input type="checkbox"/> Teamwork |
|--|---|-----------------------------------|

**Internal Impacts:**

**External Impacts:**

**Internal Resources:**

**External Resources:**

### Tracking of Costs



"FA Study Costs  
Worksheet.xls"

Functional Manager:	Date:
Program Manager:	Date:
RBO Analyst:	Date:
Business Manager:	Date:

## CA REGULATIONS AND GUIDELINES

Documents are available at <http://help.n4.hq.navy.mil> (Click on Regulations and Guidance under Reference Documents)

OMB Circular A-76, Commercial Activities

OMB Circular A-76 Supplemental Handbook

OPNAVINST 4860.7C, Navy Commercial Activities (CA) Program

Succeeding at Competition: Guide to Conducting Commercial Activities (14 Jan 1997)

Guide to Preparing the Technical Performance Plan (TPP): A Supplement to Succeeding at Competition (1 August 1997)

Business Unit Definition and Analysis Guide: A Supplement to Succeeding at Competition (31 December 1997)

Guide for Reviewing Cost Estimates Prepared Under the Commercial Activity Program (14 July 1999)

### PWS Samples/Guides

NAVFAC Engineering Command Southern Division  
<http://www.efdsouth.navfac.navy.mil/gpws/>)

Pensacola Regionalization and CA website  
(<http://www.region.navy.mil/>)

Army Competitive Sourcing (includes Navy PWSs)  
([www.hqda.army.mil/acsimweb/ca/cal/htm](http://www.hqda.army.mil/acsimweb/ca/cal/htm))

Army Corps of Engineers Installation Support Center  
(<http://www.usacpw.belvoir.army.mil>)

Air Force Competition Sourcing and Privatization  
(<http://www.afcesa.af.mil>)

Guam Industry Forum  
([www.efdpac.navfac.navy.mil/divisions/guam/rfp.htm](http://www.efdpac.navfac.navy.mil/divisions/guam/rfp.htm))

Air Force Business Solutions ([www.bsx.org](http://www.bsx.org))

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<b>Study Purpose</b>	In one concise paragraph provide a statement of work and objectives to be achieved by conducting a functionality assessment. Include any known changes that must be achieved as a result of completing this process.
<b>Expected Outcome</b>	As an organization, what does the function need or expect to learn and implement during and at the end of the functionality assessment? What does management presume will be learned from the study? Choose all appropriate outcomes. Cost savings for a FA Study is a targeted minimum of 20%. The cost savings for a FMR will be negotiated.
<b>Study Action Summary</b>	High level statement of actions to be taken and items to be achieved to meet the success criteria and complete the FA study. This must include a Plan of Action and Milestones based upon the eight steps defined in the <u>Regional Functional Assessment Guidebook</u> . (For FMR studies, develop POA&M for the agreed upon steps).
<b>Success Criteria</b>	How will it be known that the study is complete and what products define a successful completion. Items described in this section should include all tangible (e.g., documentation) and non-tangible (e.g., training) results required to complete the FA.
<b>Internal Impacts</b>	Effects of the study or expected changes to the internal functional organization, both positive and negative.
<b>External Impacts</b>	Effects to organizations or task areas outside of the primary function which are one of the following: <ul style="list-style-type: none"> <li>▪ Direct supplier of information or services</li> <li>▪ Direct recipient of information services</li> <li>▪ Partner to the organization in one or more business processes</li> <li>▪ Key supporter or funding source of the functional organization</li> </ul> Any area or organization affected by a change in business practices by the function.
<b>Internal Resources</b>	Resources required which are internal to the functional organization being studied. All resources to be used should be identified.
<b>External Resources</b>	Resources required which are external to the functional organization being studied. These resources could be internal or external to the Navy organization. All resources to be used should be identified along with acquisition responsibility.
<b>Tracking of Costs</b>	Post-study reports to CNO require costs to conduct the assessment. Costs will be tracked on the imbedded spreadsheet and submitted monthly to the Regional Business Office (RBO) Point of Contact (POC) by the 10 <sup>th</sup> day of the following month.

Performance Based Statements of Work ([www.acq-ref.navy.mil/turbo2/](http://www.acq-ref.navy.mil/turbo2/))

Performance Based Contracting Guidance ([http://help.n4.navy.mil/www.abm.rda.hq.navy.mil/sc\\_guide/sow.html](http://help.n4.navy.mil/www.abm.rda.hq.navy.mil/sc_guide/sow.html))

Outcome Based Contracting (<http://ca.lemoore.navy.mil>)

## FA GUIDELINES

Strategic Sourcing Support Office, **Strategic Sourcing: A Broader Approach; A Guide to Conducting Functionality Assessments** (Document available at <http://help.n4.navy.mil>; click on Guidance under Reference Documents)

Commander in Chief, U.S. Pacific Fleet, **Strategic Sourcing Program Field Guide** (posted on RITSC OBAN shared drive V:\Strategic Sourcing\Strategic Sourcing hdbk\_)

Navy Region Hawaii, **Regional Functionality Assessment Guidebook** (posted on RITSC OBAN shared drive V:\COMNAVREG Hawaii\COMNAVREG RBO\Strategic Sourcing/Functionality Assessment/Functionality Assessment Guidebook)

The Inter-Agency Benchmarking and Best Practices Council ([www.va.gov/fedsbest/index.htm](http://www.va.gov/fedsbest/index.htm))

World class Practices/Acquisition Reform Office ([www.acq-ref.navy.mil](http://www.acq-ref.navy.mil))

Air Force's Best Practices ([www.cio.hq.af.mil](http://www.cio.hq.af.mil))

National Partnership for Reinvention; Data Base of Government Success Stories (BPR) ([www.npr.gov](http://www.npr.gov))

Alliance for Redesigning Government ([www.alliance.napawash.org/alliance/index.html](http://www.alliance.napawash.org/alliance/index.html))

BPR Assessment Guide ([www.gao.gov/special.pubs/bprag/bpr.htm](http://www.gao.gov/special.pubs/bprag/bpr.htm))

Electronic College of Process Innovation; Business Process Reengineering (BPR) ([www.dtic.mil/c3i/bprcd/7224.htm](http://www.dtic.mil/c3i/bprcd/7224.htm))

Revolution in Business Affairs (RBA) (<http://rba.hq.navy.mil>)

US Army Corps of Engineers (<http://www.usace.army.mil>)

Air Force Best Practices Clearinghouse (AF Manpower and Innovation Agency) (<http://www.afmia.randolph.af.mil/afmia/mip/afbp/index.htm>)

Air Force Business Solutions/Strategies ([www.bsx.org](http://www.bsx.org))